Program Summary and Regulations

Dependent Care Assistance Program

Department of Retirement Systems

State of Washington

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DCAP Program Summary

What is the Dependent Care Assistance Program?

The Dependent Care Assistance Program (DCAP) allows you to set aside a "before tax" portion of your gross earnings to use for eligible dependent care expenses. DCAP reduces the amount of the federal withholding and social security taxes taken from your paycheck.

How can I determine if DCAP will save me money?

Every individual and family has a different tax situation. To determine if DCAP can save you money, see the Dependent Care Assistance Program Tax Savings Tables 2002 booklet, available from DCP. The tax tables will show you the type of savings you may experience by using DCAP, instead of the Child and Dependent Care Tax Credit. For more information about the Child & Dependent Care Tax Credit, visit the Internal Revenue Service Web site at http://www.irs.ustreas.gov/ and review Publication 503 *Child and Dependent Care Expenses*.

Who is eligible to participate in DCAP?

Employees, officers or elected officials of the state of Washington are eligible to participate in DCAP.

Who is a "qualifying person?"

Under DCAP, the definition of qualifying person includes:

- a dependent of the participant who is 12 years old or younger, for whom the participant is entitled to a deduction under Internal Revenue Code (IRC) Section 151 (c);
- a dependent or spouse of the participant who is mentally or physically incapable of self-care; or
- a child of a divorced or separated participant who is 12 years old or younger, if the participant has custody of the child, even if the participant has released an exemption under IRC Section 152 (e) (2).

* Definition of dependent: To qualify as a tax dependent for federal income tax purposes, an individual generally must be a member of the taxpayer's household, receive more than one half of his or her total support from the taxpayer, and fall within the class of persons enumerated in Section 152 of the IRC. Please refer to Publication 503 *Child and Dependent Care Expenses* (available on the IRS Web site listed above) for additional information on qualifying persons, work related expenses, etc.

What eligible expenses can I set aside for DCAP?

Eligible expenses include charges for care of a qualifying person inside or outside your home. This includes feeding, administration of medicine, general supervision and nursery school. The main purpose must be the person's well-being and protection.

Expenses for care do not include amounts you pay for food, clothing and entertainment. However, if these amounts cannot be separated from the cost of caring for the qualifying person(s), you can include the total cost. Charges may include household services for cooking, cleaning and general housekeeping if they are incidental to care for a qualifying person.

Federal tax laws specify that to qualify as an eligible expense:

- *Out-of-home care* must comply with all federal requirements if the facility provides care for more than six non-resident individuals. (State and some local licensing laws require licensing where care is provided for fewer persons.) Out-of-home care for a qualifying person age 13 or older will qualify, provided that person is physically or mentally incapable of self-care and regularly spends at least eight hours each day in your household.
- *Children's Schooling* may be included if your child is not in kindergarten or a higher grade, and the amount you pay for schooling is incidental and cannot reasonably be separated from the cost of care.

You can count only the cost of care in determining your eligible expense. The services must occur during the calendar year for which you are enrolled and on days you work. If you are married, they must also occur on days your spouse works (or if your spouse is a full-time student, on days your spouse attends school).

Eligible expenses for contracts entered into during the November open-enrollment period begin January 1. If you become eligible to enroll at a later date, eligible expenses will begin on the first day of the date that DRS approves your Salary Reduction Agreement.

Which expenses are ineligible?

Expenses that are not eligible include:

- the cost of schooling for a child in kindergarten or above;
- summer camp expenses when the child stays overnight;
- payments to a person for whom you can claim a dependency exemption for federal income tax purposes;
- payments to your non-dependent child unless he or she will be age 19 or older by December 31 of the calendar year for which you are enrolled;
- expenses incurred before January 1 (or other effective date of enrollment);
- food, clothing and entertainment separated from the cost of caring for a qualifying person; and
- registration/membership fees.

What is the maximum contribution to DCAP?

The maximum annual DCAP contribution for a single person or a married couple is $5,000 ($2,500 for each participant if filing separate returns). Also, the amount of your DCAP contribution may not be more than your earned income or the earned income of your spouse. Earned income means wages, salaries, tips, other employee compensation, and any net earnings from self-employment.

The following examples illustrate these rules:

Single Employee: Your DCAP contribution may not exceed your earned income, and may not exceed the federal maximum dollar limitation of $5,000.

Beth, a single parent and a state employee, has three children. Only two require daycare. Her annual earned income for the year is $30,000 and her eligible daycare expenses are $5,200.

Due to the fixed-dollar limitation, the most Beth can elect to contribute to DCAP is $5,000. To avoid a possible forfeiture, she may choose to be conservative in her salary reduction *election and contribute a lesser amount, for example, $4,900.*

If, in our example, Beth's annual earned income had been $5,000 or less, the most she could have contributed to DCAP would have been the amount of her earned income.

Married employee with working spouse:
Your total DCAP contribution for dependent care may not exceed the lesser of your earned income or your spouse's earned income. It may not exceed the federal fixed-dollar maximum of $5,000 ($2,500 each participant if filing separate returns).

Michelle is a state employee. She and her husband Graham have two children. Michelle's annual earned income is $38,000. Graham will earn $4,000 from his part-time job. They will file a joint return.

The most Michelle can elect to contribute to DCAP is $4,000, her husband's lower income. If her husband's annual salary was $5,000, they could have contributed $5,000 to DCAP.

Married employee with student spouse (or spouse needing care):
If your spouse is a full-time student or incapable of self-care, he or she is assumed to have a minimum income of $200 a month if you have one qualifying person for whom care is provided. He or she is assumed to have a minimum income of $400 a month if you have two or more qualifying people receiving care. Your spouse must be a full-time student for at least five months during the calendar year to obtain the benefit of this assumption. If your spouse is a student and is employed, reimbursement of dependent care expenses is based on his or her assumed income or actual income, whichever is greater.

Will's wife Lea is a full-time student. They have four children. Will has a salary from the state of $35,000. They will file a joint return.

During the calendar year, Lea is assumed, for purposes of the earned income limitation, to have a monthly income of $400 per month while she is a full-time student. If Lea is a student during nine months of the year, the most Will can elect to contribute to DCAP is $3,600 ($400 month x 9 months = $3,600 year).

Can I use DCAP and claim the child care credit on my income tax return?

You cannot claim the same expenses for DCAP and the child care credit. You may claim the maximum of $5,000 in DCAP and the remaining $1,000 as child care credit if you have two or more qualifying persons.

What should I consider when estimating dependent care reductions?

You must estimate the amount of eligible child and/or dependent care expenses you expect to incur during the calendar year. Be sure to consider the possibility of declining expenses as your child gets older. These can include vacation time, sick days, etc. -- times when you will not be incurring eligible expenses. Your salary reduction amount is fixed annually during the open-enrollment period. The salary reduction you decide on should not exceed your estimate of dependent care expenses, as federal tax regulations require forfeiture of any amount not used within a calendar year. For more information about forfeiture, see the example on page 9.

How and when can I enroll in DCAP?

To enroll in DCAP, submit a completed Salary Reduction Agreement form to DRS. Forms are available through DRS or its Web site at http://www.wa.gov/drs/forms/. You may enroll in DCAP:

- during the open-enrollment period, which is the month of November for the following plan year;
- within 60 days of becoming an eligible employee; or
- any time you have a qualifying change in status. See *May I change or stop my salary reduction amount midyear?* (page 7) for qualifying changes in status.

When filling out the Salary Reduction Agreement form, complete Section I, parts 1 – 12. When you have completed, signed and dated the agreement, keep the participant copy and return all other copies to DRS. The enrollment process is complete on the date DRS approves your completed Salary Reduction Agreement form.

How are my salary reductions taken from my check?

The annual salary reduction amount you choose is divided by the number of pay periods remaining in the year. It is taken equally from each regular paycheck and deposited into a dependent care account.

Can I change or stop my salary reduction amount midyear?

The Salary Reduction Agreement cannot be changed during the plan year unless you have one of the following qualifying changes in status.

1. Marriage
2. Divorce or legal separation
3. Death of a spouse or dependent
4. Addition of a dependent to the eligilbe employee's household, such as birth or adoption of a child
5. Termination of spouse's employment
6. Employment of an unemployed spouse
7. A change in the work hours of the eligible employee or spouse that significantly alters the need for dependent care
8. A change in dependent care provider
9. A change in dependent care provider cost (does not apply to relatives)
10. No longer use dependent care services

If you have experienced a qualifying change in status and need to change or revoke your Salary Reduction Agreement, you must complete a new Salary Reduction Agreement form and submit it to DRS. Such changes require approval by DRS. An explanation of the requested change may be required.

If your dependent care election needs to be changed, you should contact DRS immediately.

Note: It may be necessary to reduce your salary reduction during the year to satisfy a federal requirement that the program not discriminate in favor of highly compensated employees.

How does reimbursement work?

A supply of Reimbursement Claim forms will be mailed to you upon confirmation of your enrollment. Additional forms are available by calling staff at 1-800-423-1524. You can also access the form on the DRS Web site at http://www.wa.gov/DRS.

You may submit Reimbursement Claim forms as often as you wish. As claims are received and approved, they are posted to your account. You may submit claims for incurred expenses*, whether or not they have been paid.

If you do not enclose a bill, a receipt or invoice from the provider, the "Provider Information" section must be completed and signed by the service provider.

Reimbursement forms received by 5:00 p.m. on Monday are included in that week's payment process. If there is a balance in your account of at least $25, and you have any approved

* For purposes of DCAP, the term incurred expenses means dependent care expenses for services that have already been provided.

reimbursement amounts posted to your account, your reimbursement check will be mailed by the end of the week. Reimbursement is sent to you, not the care provider. Holidays may affect the payment schedule and the reimbursement form cutoff.

If you submit a claim that exceeds your account balance, you do not have to submit another claim for the amount not reimbursed. Any amount not reimbursed will be paid out of succeeding account contributions.

To avoid delays in payment, fully complete the claim form. In the "Services Incurred" section ensure that you have correctly listed the names of persons for whom care was provided, the dates of service and the total amount of incurred expenses. Do not duplicate expenses previously submitted and do not include dates of care that fall outside the calendar year.

When you have completed the Reimbursement Claim form, keep the participant copy for your records and mail the original copy to DRS. A peel-off address label is provided on the form. Please remember to **sign and date your reimbursement claim form. You have until March 31, after the end of the calendar year, to submit a claim for eligible expenses incurred during the previous year.**

NOTE: Eligible expenses are defined differently under DCAP than they are under the Child and Dependent Care Tax Credit. For DCAP, the date care is provided determines the eligibility of the expense. For the tax credit, the date the expense is paid determines eligibility (except for certain prepaid expenses).

For example, if services are provided in calendar year one and are paid for in calendar year two, you would be eligible for DCAP only in calendar year one. If not used for DCAP in calendar year one, you would be eligible for the tax credit in calendar year two. You would not, however, be eligible for DCAP in calendar year two.

What should I do with the completed form?

Mail forms to:

Department of Retirement Systems
Dependent Care Assistance Program
PO Box 40931
Olympia, WA 98504-0931

Will I receive statements?

An account balance is included with each reimbursement. Statements will also be mailed to you quarterly. You will receive your final quarterly statement on or before January 31 following the close of the calendar year. Statements show all the activity on your account during the quarter.

Annual statements will be mailed after March 31 showing all activity on your account for the entire calendar year.

What happens to money in my DCAP account not spent on DCAP expenses?

Under federal law, any unclaimed money in your account after March 31 will be forfeited to the state of Washington (see example below). This is why you must carefully estimate your dependent care expenses before contributing part of your salary to DCAP. Check your account balance each time you receive a statement and be sure all services are provided before December 31 of each calendar year.

All claims for expenses incurred during a calendar year must be received no later than March 31 following the end of the calendar year.

How does DCAP affect my other benefits?

Your state retirement and other benefits will continue to be calculated as if you did not contribute to DCAP.

Example - Forfeiture

Bill elects to reduce his salary by $5,000 for the calendar year. During the year, he incurs total eligible expenses in the amount of $4,900.

Bill submits reimbursement claim forms during the year totaling $4,900. He will be reimbursed $4,900, and the $100 excess will be forfeited to the state of Washington.

If your dependent care needs change, contact DRS immediately to see if you qualify for a "change in status."

If, after your salary reduction, your remaining income is under the social security taxable wage base, your social security tax will be lower than it would be without the salary reduction. As a result, your future social security retirement benefit may also be lower.

Do I have to report provider information to the IRS?

Employees who use either the Child and Dependent Care Tax Credit or DCAP must provide the name, address and taxpayer identification number of the care provider on their federal income tax returns. The taxpayer identification is not necessary if the dependent care provider is exempt from federal income taxation as described in Section 501(c)(3) of the Internal Revenue Code. The provider's name and address, however, must be provided in all cases.

What if I leave state service?

If you leave employment with the state of Washington, you may continue to incur reimbursable expenses (to the extent of your account balance) while working or looking for work. Claims for these expenses must be submitted by March 31 following the close of the calendar year in which the expenses were incurred.

Should I enroll in DCAP?

DRS can't give you financial advice. We have published this guide to offer information to help you decide if DCAP makes sense for your family. A number of variables, many of which can only be estimated at the time of your enrollment, will determine the potential benefits of participation.

Nothing herein is intended as legal, accounting or tax advice. For such services, consult a professional who can properly advise you.

How do I request more information about DCAP?

If you have questions about DCAP or how it could affect your take-home pay, please call (360) 664-7111 or toll free at 1-800-423-1524 Voice/TT.

Regulations

The state of Washington Dependent Care Assistance Plan Document is codified in Washington Administrative Code Title 415. Following are the plan's provisions.

Chapter 415-600 WAC
Dependent Care Assistance Salary Reduction Program

Overview

WAC 415-600-010 Dependent care assistance salary reduction program established.

Chapter 415-600 WAC covers the Washington State Department of Retirement Systems (DRS) Dependent Care Assistance Salary Reduction Program (DCAP). The authority for DCAP is provided by RCW 41.04.600 through 41.04.645, and sections 125 and 129 of the Internal Revenue Code.

WAC 415-600-020 What is DCAP?

The Dependent Care Assistance Salary Reduction Program (DCAP) allows you to set aside a “before tax” portion of your gross earnings to use for eligible dependent care expenses. DCAP reduces the amount of federal withholding and social security taxes (OASDI and Medicare or FICA) taken from each paycheck. Salary reduced under the program continues to be included as regular compensation for the purpose of computing state retirement benefits. The amount that may be reduced from your salary and excluded from your income is subject to annual fixed dollar and earned income limitations. When you incur eligible dependent care expenses you will be reimbursed from the amount set aside, consistent with these rules. If any portion of the amount set aside is not used by the end of the plan year, the unused amount will be forfeited.

WAC 415-600-030 DCAP is a separate program.

The provisions in chapter 415-600 WAC apply only to the Dependent Care Assistance Salary Reduction Program and not to any other program that the Department of Retirement Systems administers.

WAC 415-600-040 Interpretation of DCAP.

The Dependent Care Assistance Salary Reduction Program is intended to qualify as a dependent care assistance salary reduction program under sections 125 and 129 of the Internal Revenue Code (IRC) and is to be interpreted in a manner consistent with the requirements of those sections. In case of a discrepancy between the sections in this chapter and the IRC, the IRC takes precedence.

Definitions

WAC 415-600-110 Definitions used in DCAP.

(1) Dependent care account means a bookkeeping account containing the salary reduction amounts attributable to a participant, less reimbursement for the participant's dependent care expenses.

(2) Dependent care expenses means amounts paid for services which, if paid by the employee, would be considered employment related expenses under Internal Revenue Code Section 21(b)(2) and WAC 415-600-310.

(3) Eligible employee means State of Washington employees, officers and elected officials.

(4) Employer means the State of Washington.

(5) Incurred expenses means expenses for services that have already been provided.

(6) Internal Revenue Code (IRC) means Title 26 of the United States Code (U.S.C.). Reference to a specific provision of the code includes such provision, any associated regulations, and any comparable provision of future legislation that amends, supplements, or supersedes such provision. Copies of the applicable IRC sections are available in law libraries and from the Department of Retirement Systems (DRS). You can also obtain them by searching United States Government references on the Internet.

(7) Participant means an eligible employee who has submitted a DCAP Salary Reduction Agreement that is approved by DRS.

(8) Program means this dependent care assistance salary reduction program (DCAP).

(9) Plan year means January 1 through December 31.

(10) Qualifying person means:

(a) a dependent of the participant who is 12 years old or younger, for whom the participant is entitled to a deduction under IRC Section 151(c); or

(b) a dependent or spouse of the participant who is mentally or physically incapable of self care; or

(c) a child of a divorced or separated participant, who is 12 years old or younger, if the participant has custody of the child, even if the participant has released an exemption under IRC Section 152(e)(2).

Participation and Termination

WAC 415-600-210 How do I enroll in DCAP?

(1) You enroll in the Dependent Care Salary Reduction Assistance Program (DCAP) by submitting a completed Salary Reduction Agreement (SRA) form to the Department of Retirement Systems (DRS).

(2) SRA forms are available through DRS or its Web site at http://www.wa.gov/drs/forms/.

(3) You may enroll in DCAP:

(a) during the open-enrollment period;

(b) within 60 days of becoming an eligible employee; or

(c) Aa any time you have a qualifying change in status as set forth in WAC 415-600-240.

(4) The open enrollment period is the month of November for the following plan year.

(5) The enrollment process is complete on the date DRS approves your completed SRA.

WAC 415-600-220 What is a salary reduction agreement?

(1) The Salary Reduction Agreement (SRA) is a contract between you and your employer in which you agree to place a specified amount of future wages into a dependent care account.

(2) The agreement must contain:

(a) your Social Security number;

(b) the names and birth dates of the dependents you will cover with DCAP; and

(c) medical, family and other information DRS needs to administer DCAP.

(3) Except as provided in WAC 415-600-230, an SRA agreement cannot be changed.

WAC 415-600-230 May I change the terms of my SRA during the plan year?

The Salary Reduction Agreement (SRA) cannot be changed during the plan year unless you have a qualifying change in status as defined in WAC 415-600-240. If you have experienced a qualifying change in status and need to change or revoke your SRA, you must fill out a new SRA form and submit it to DRS. Such changes require approval by DRS. An explanation of the requested change may be required.

WAC 415-600-240 What is a qualifying change in status?

The following are changes in status for purposes of DCAP:

(1) Marriage;

(2) Divorce or legal separation;

(3) Death of a spouse or dependent;

(4) Addition of a dependent to the eligible employee's household, such as the birth or adoption of a child;

(5) Termination of spouse's employment;

(6) Employment of an unemployed spouse;

(7) A change in the work hours of the eligible employee or spouse that significantly alters the need for dependent care;

(8) A change in dependent care provider ;

(9) A change in dependent care provider cost (does not apply to relatives); or

(10) No longer use dependent care services.

WAC 415-600-250 How much may I set aside in my dependent care account each plan year?

(1) The maximum amount that you may set aside during a plan year is:

(a) $2500, if you are married and filing separately; or

(b) $5000, otherwise. However, the total set aside by you and your spouse may not exceed $5000.

(2) If you are not married, the amount set aside may not exceed your earned income.

(3) If you are married, the amount set aside may not exceed the lesser of your earned income or your spouse's earned income.

WAC 415-600-260 What is "earned income" for purposes of DCAP?

(1) Except as set forth in (2), earned income for DCAP purposes includes wages, salaries, tips and other employee compensation, plus the amount of the taxpayer's net earnings from self-employment for the taxable year.

(2) If your spouse is either a full-time student or physically or mentally incapable of self care, your spouse's earned income is deemed to be:

    (a) $200 per month, if you have one qualifying person for whom care is provided; or

    (b) $400 per month, if you have two or more qualifying persons for whom care is provided.

WAC 415-600-270 May DRS limit the maximum salary reduction for highly compensated employees?

(1) DRS may decrease the salary reduction amount of certain participants to the extent necessary to ensure that the program does not discriminate in favor of "highly compensated employees." "Highly compensated employees" are determined by the nondiscrimination test in Internal Revenue Code sections 125 and 129 and any other applicable provisions of law.

(2) The amounts set aside by highly compensated employees who are subject to the particular nondiscrimination requirement shall be decreased pro rata.

WAC 415-600-280 How will DRS process my salary reduction?

The salary reduction will be taken in equal amounts for each pay period during that portion of the plan year in which you participate.

WAC 415-600-290 When does my participation in DCAP terminate?

(1) Your participation in DCAP terminates on:

    (a) December 31 of the plan year, unless you reenroll during the open-enrollment period;

    (b) The date you refuse a request for updated information, as set forth in subsection (2);

    (c) The date the program is terminated by state or federal action; or

    (d) The date you revoke your Salary Reduction Agreement under WAC 415-600-230.

(2) You shall be deemed to have refused a request for updated information 30days after a letter requesting such information is mailed to you by certified mail, return receipt requested. The letter must notify you of the consequences of a failure to provide such information.

Dependent Care Expenses

WAC 415-600-310 Do my expenses qualify for DCAP reimbursement?

(1) You may be reimbursed for dependent care expenses for the well being and protection of a qualifying person, provided that the expenses are incurred to enable you and your spouse to be gainfully employed.

(a) Only expenses incurred on days you work may be reimbursed.

(b) If you are married, only expenses incurred on days you and your spouse both work may be reimbursed, provided that

(i) If your spouse is a full-time student, expenses incurred on days you work and your spouse attends school may be reimbursed.

(ii) If your spouse is physically or mentally incapable of self-care, expenses incurred on days you work may be reimbursed.

(2) You may be reimbursed only for expenses incurred during the plan year for which you are enrolled. If you enroll after January 1 of the plan year, you may be reimbursed only for expenses incurred from the date DRS approves your Salary Reduction Agreement.

(3) Only the cost of care may be reimbursed. The following expenses may be reimbursed, subject to the limitations stated in subsection (4).

(a) Expenses for care of a qualifying person in the participant's home, including feeding, administration of medicine, general supervision, and incidental household services; and

(b) Expenses for care of the following qualifying persons outside the participant's home:

(i) a dependent of the participant, age 12 or younger, with respect to whom the participant is entitled to a federal tax deduction.

(ii) any other qualifying person who regularly spends eight hours or more per day in the participant's home.

(4) The following limitations apply to the reimbursement of expenses:

(a) Expenses for food, clothing, and entertainment are reimbursable ONLY IF these expenses cannot be separated from the cost of care.

(b) Expenses for care in a dependent care center (as defined in Internal Revenue Code (IRC) Section 21(b)) are reimbursable ONLY IF the facility complies with all federal, state, and local laws and regulations.

(c) Expenses for schooling are reimbursable ONLY IF

(i) The schooling is at a pre-kindergarten level; and

(ii) The expenses cannot reasonably be separated from the cost of care.

(d) Payments to a person for whom you or your spouse may claim a dependency exemption for federal income tax purposes are not reimbursable.

(e) Payments to a non-dependent child, as defined in IRC Section 151(c)(3), are not reimbursable unless the child will be age 19 or older by December 31 of the plan year.

(f) Summer camp expenses, when the child stays overnight, are not reimbursable.

(g) Amounts paid by an employer of your spouse or by an educational institution where your spouse is enrolled as a student are not reimbursable.

Reimbursement of Dependent Care Expenses

WAC 415-600-410 How do I request reimbursement for DCAP expenses?

(1) You must use the DRS reimbursement claim forms to submit claims for dependent care expenses.

(2) DRS will mail a supply of reimbursement claim forms to you upon confirmation of your enrollment. You can obtain additional forms by phone or on the DRS Web site, at http://www.wa.gov/drs/forms/

(3) You may submit reimbursement claim forms as often as you wish.

(4) The reimbursement claim form must be completed, signed and accompanied by bills, invoices, receipts, or a statement signed by the provider. The department cannot accept canceled checks or credit card statements as verification. All documentation must show the amounts of dependent care expenses and periods of service for which you seek reimbursement.

(5) DRS must receive claims for expenses incurred during a given plan year on or before March 31 of the following year.

WAC 415-600-420 How does DRS process DCAP reimbursement claims?

(1) DRS reviews DCAP claims each week during the plan year.

(2) If funds are available in your dependent care account at the time the claim is reviewed, DRS will reimburse your claim.

(3) If funds are not available at the time your claim is reviewed, DRS will reimburse your claim when money becomes available in your dependent care account. You do not need to resubmit your claim.

(4) You will not be reimbursed for claims that exceed the amount that you set aside for the plan year. You may not resubmit these claims in subsequent plan years.

(5) Unpaid expenses are never your employer's responsibility.

WAC 415-600-430 How will I know how much money is available in my dependent care account?

(1) DRS will send you a quarterly statement showing your account activities and balance for the quarter.

(2) Shortly after March 31 following the close of a plan year, DRS will send you a written statement showing the reductions from salary and amounts reimbursed through the end of the plan year.

WAC 415-600-440 What happens to the balance of my DCAP account at the end of the plan year?

If funds remain in your dependent care account after all timely claims for the plan year have been reimbursed, you will forfeit these funds. Unused funds cannot be carried forward to your dependent care account for the subsequent plan year.

WAC 415-600-450 What happens to the money in my dependent care account if I terminate employment?

You may be reimbursed for dependent care expenses incurred during the remainder of the plan year to the extent you have money in your dependent care account. In the event of death, your personal representative may submit claims on your behalf.

DCAP Administration

WAC 415-600-510 DCAP Administration

(1) Administered by department: The Department of Retirement Systems (DRS) shall administer DCAP.

(2) Delegation of authority: DRS may delegate functions to be performed under this program to any designee with legal authority to perform such functions.

(3) Reliance upon documents: DRS and the employer may rely upon any document believed by them to be valid.

(4) Reliance on information: In administering the program, DRS may rely conclusively on all tables, valuations, certificates, opinions, and reports which are provided by its accountants, counsel, and other professionals.

(5) Binding nature of decisions: The DCAP program administrator is authorized to decide any matters concerning your rights under DCAP. Such decision shall be binding. If you disagree with the decision, you may write to the DRS director for consideration.

(6) Program Amendments: DRS may amend DCAP at any time if the amendment does not affect the rights of the participants to receive eligible reimbursement.

(7) Communication: DRS will provide reasonable notification of the availability and terms of the program to eligible employees.

(8) Program document: The DCAP Program document consists of chapter 415-600 WAC and RCW 41.04.600 through RCW 41.04.645.

WAC 415-600-520 What are the limits on my rights under DCAP?

(1) You have no claim to any asset of your employer, except as expressly provided by DCAP.

(2) The establishment of any administrative practice shall not vest you with any right not expressly provided by DCAP.

Miscellaneous

WAC 415-600-610 Can my rights be assigned or attached?

Your right to receive any reimbursement cannot be assigned or attached.

WAC 415-600-620 Who is responsible for determining my tax liability?

You are solely responsible for determining your tax liability under DCAP.

WAC 415-600-630 What if I receive more reimbursement than I should?

If you receive money from DCAP that is not eligible for reimbursement of dependent care expenses as defined in WAC 415-600-110(2), you must indemnify the employer as follows. You shall pay the employer the amount of federal income tax and Social Security tax that the employer would otherwise have withheld and paid on the money as regular compensation.

This Summary provides a brief overview of the Washington State Dependent Care Assistance Program, which is an Internal Revenue Code Section 125 and 129 Plan. The program is administered by the Washington State Department of Retirement Systems.

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Natalie's Little Darlings Daycare

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DCAP

Dependent Care Assistance Program

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